No. 05-1040

In The

Supreme Court of the United States

BRENNAN'S INC.,

Petitioner,

v.

RICHARD J. BRENNAN, JR., DICKIE BRENNAN & COMPANY, INC., COUSINS RESTAURANTS, INC., AND SEVEN SIXTEEN IBERVILLE, L.L.C.,

Respondents.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Fifth Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

(1) Is a federal action between parties deemed to be the "same cause of action" as an earlier federal action between the parties, and therefore barred by *res judicata*, when (a) the key facts underlying the second action are part of the same transaction or series of transactions that were implicated in the first suit? or (b) when the key evidence to be introduced in the second action was previously considered in the earlier federal action?

(2) If the proper test for application of federal *res judicata* principles is the "transactional test," is a party that brings an action against another to enforce certain of its contractual rights forever barred from bringing another action to enforce other rights contained in the contract, even if the cause of action to enforce those rights had not yet arisen during the course of the earlier federal litigation?

LIST OF PARTIES TO THE PROCEEDING

The parties to this proceeding are Brennan's Inc., the Plaintiff/Petitioner, and Richard J. Brennan Jr., Dickie Brennan & Company, Inc., Cousins Restaurants, Inc., and Seven Sixteen Iberville, L.L.C., the Defendants/Respondents. There are no parent corporations of Brennan's Inc., as it is owned by three individual shareholders. Likewise, Dickie Brennan & Company, Inc., Cousins Restaurants, Inc., and Seven Sixteen Iberville, L.L.C. are not believed to be owned by any parent corporations.

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OPINIONS BELOW

The opinion of the court of appeals is reported at 150 Fed. Appx. 365, 2005 WL 2662470 (5th Cir. 2005). The order of the court of appeals denying rehearing is unreported. The opinion of the district court is reported at 377 F. Supp. 2d 579 (E.D. La. 2005).

JURISDICTION

The court of appeals' judgment was entered on October 19, 2005. A timely petition for rehearing was denied on November 17, 2005. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

28 U.S.C. § 1338 provides, in pertinent part:

> (a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

Louisiana Civil Code article 2024 provides:

> A contract of unspecified duration may be terminated at the will of either party by giving notice, reasonable in time and form, to the other party.

Rule 12(b)(6) of the Federal Rules of Civil Procedure provides, in pertinent part:

> Every defense, in law or fact, to a claim for relief in any pleading, whether a claim, counterclaim, cross-claim, or third-party claim, shall be asserted in the responsive pleading thereto if one is required, except that the following defenses may at the option of the pleader be made by motion: . . . (6) failure to state a claim upon which relief can be granted.

STATEMENT OF THE CASE

This case involves a dispute between prominent restaurateurs in New Orleans, Louisiana. Since 1946, the Plaintiff/Petitioner, Brennan's Inc., has operated Brennan's Restaurant, a French and Creole restaurant located in the heart of the French Quarter. It has used the federally protected service mark "BRENNAN'S" in connection with the restaurant since at least 1951.

In 1998, Brennan's Inc. learned that the Defendants/Respondents, Dickie Brennan & Company, Inc., Cousins Restaurants, Inc., and Seven Sixteen Iberville, L.L.C. (collectively referred to as "Dickie Brennan") intended to open "Dickie Brennan's Steakhouse" only three blocks away from Brennan's Restaurant in the French Quarter. The parties temporarily avoided litigation after Dickie Brennan agreed to eliminate confusion existing in the New Orleans restaurant market from his use of "BRENNAN'S." In exchange, Brennan's Inc. agreed to grant Dickie Brennan the right to use "BRENNAN'S" under specified terms and conditions. The agreement, referred to as the "1998

Agreement," contains no term of duration and no method for termination by the parties.

In 2000, Brennan's Inc. filed suit (the "2000 Lawsuit") against Dickie Brennan to nullify the 1998 Agreement on the basis it was procured by fraud. Brennan's Inc. also sought damages in the 2000 Lawsuit for Dickie Brennan's breach of the 1998 Agreement for failing to take effective measures to eliminate confusion between the restaurants. Brennan's Inc.'s other damage claims were for infringement of the service mark, unfair competition, false representation, and false designation of origin and dilution under federal and Louisiana trademark law. Brennan's Inc. did not allege, nor could it have alleged, the 1998 Agreement had terminated as a matter of law by Brennan's Inc.'s giving a notice of termination to Dickie Brennan.

At trial, the jury found no evidence of fraud. It did find that Dickie Brennan had breached the 1998 Agreement, but it concluded the breach was not serious enough to justify the contract's dissolution. Instead, the jury determined the proper remedy was specific performance of the ongoing 1998 Agreement. The district court entered a judgment accordingly. *See* App. 3-6.

Subsequently, on August 5, 2004, Brennan's Inc. sent Dickie Brennan a letter notifying them of its decision to terminate the 1998 Agreement, and requested they cease using the "BRENNAN'S" mark. The basis for the termination letter was the fact the contract has an indefinite term of duration. Pursuant to Article 2024 of the Louisiana Civil Code, either party to a contract of unspecified duration may terminate the contract by giving notice, reasonable in time and form, to the other party. *See* La. C.C. art.

2024. Upon their receipt of the letter, Dickie Brennan ignored it and continued to use the service mark.

Brennan's Inc. then filed this lawsuit (the "2004 Lawsuit"), asking the district court to declare the 1998 Agreement terminated by the August 5, 2004, letter and Article 2024. The district court had original jurisdiction over the matter pursuant to 15 U.S.C. §§ 1116 and 1121 and 28 U.S.C. §§ 1331 and 1338, as it involved a claim to enjoin the infringement of a federally protected trademark and sought a declaration of the parties' rights with respect to that trademark.

In response to the 2004 Lawsuit, Dickie Brennan moved to dismiss the case on the basis of *res judicata*. They asserted that although the 1998 Agreement survived the earlier litigation and remains in force and effect, Brennan's Inc. had merely switched its theories in the subsequent suit. They essentially argued that due to Brennan's Inc.'s defeat in the 2000 Lawsuit, it had forever lost the right to terminate the contract for any reason.

The district court agreed with Dickie Brennan and granted their motion to dismiss the 2004 Lawsuit. *See* App. 7-21. Utilizing the "transactional test" of *res judicata* principles, the district court rejected the notion that Brennan's Inc.'s effort to terminate the contract based on its term of duration (or lack thereof) is different from the earlier causes of action of rescission due to fraudulent inducement and damages for breach of contract. *See id.*

On appeal, the United States Court of Appeal for the Fifth Circuit also sided with Dickie Brennan. *See* App. 1-2. It rejected Brennan's Inc.'s argument that the August 5, 2004, termination letter represents the exercise of an ongoing contractual right rather than a cause of action

that was available and lost in the previous lawsuit. *See id.* Noting that the 1998 Agreement was the locus of both lawsuits, the Fifth Circuit concluded there was no distinction between Brennan's Inc.'s exercising a contractual right and its asserting a cause of action that purportedly could have been asserted in the earlier suit. *See id.* Accusing Brennan's Inc. of merely "rehashing old battles," the Fifth Circuit affirmed the district court's dismissal of the suit. *See id.*

REASONS FOR GRANTING THE PETITION

The Fifth Circuit has decided an important question of federal law: the "same cause of action" test for *res judicata* application. This issue regularly arises in federal practice but surprisingly, has never been settled by this Court. Given the inconsistent application of the various "same cause of action" tests by the several United States circuit courts, the Court should grant writs and establish a clear precedent that can be uniformly applied. Additionally, the Court should overrule the Fifth Circuit's pronouncement that a party who fails to exercise a contractual right during a lawsuit between the parties forfeits the right to do so in a subsequent suit, even if the right had not yet accrued during the pendency of the first suit.

A. This Court Has Never Resolved the Question of What Constitutes the "Same Cause of Action" for *Res Judicata*.

It is universally accepted that an unsuccessful litigant is barred by the doctrine of *res judicata* from re-litigating the same cause of action against the same party in a